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The Media Industry

The Gold Rush Begins

Reason for Report: The Upcoming FCC Decision

Industry

Highlights:

- **As the FCC is due, in early June, to decide on several media ownership rules, we thought it would be helpful to summarize the rules and analyze the impact on the companies across the media landscape.**
- **We expect:**
  - **The station ownership cap to be raised from 35% to 45%.**
  - **The TV duopoly rules to be relaxed to allow ownership of up to three stations in the largest markets, up from two currently, and ownership of two stations in the mid-to-large markets, up from one in many cases.**
  - **A redefinition of the local radio markets, reducing the number of stations in some markets.**
  - **The cross ownership rules to be relaxed to allow ownership of TV/radio stations and newspapers in the same markets.**
  - **No change to the dual network ownership rule.**
- **We expect newspaper stocks to be perceived as a major beneficiary of the expected relaxation of cross ownership rules, with mid-sized and small newspaper companies viewed as potential take-out candidates, helping to support the current premium valuations.**
- **However, we think the reality is that there are a limited number of logical buyers outside the newspaper industry. In fact, we think swaps/trades will be more likely to take place, but they are unlikely to be catalysts for significant share appreciation for the newspaper group.**
- **We believe that entertainment companies, such as Viacom, News Corp/Fox and Disney, would look to make targeted acquisitions, most likely radio or TV stations in larger markets rather than wholesale, transforming acquisitions. Overall, we expect the rule change to be slightly positive for the entertainment stocks.**
- **For station groups, a relaxed duopoly rule and a higher national cap should increase the value of stations that qualify to be part of a duopoly, particularly those that are affiliated with a network but not barred from duopoly ownership by ranking in the top-four stations in the market.**
- **This seems to favor the broadcast operators that are perceived to be potential sellers, helping to support multiples that have expanded in anticipation of deregulation.**
- **As the regulatory landscape is unlikely to change materially for radio, we do not expect radio stock valuations to be impacted much by the ownership review.**

**Refer to important disclosures at the end of this report.
Analyst Certification on page 6.**

The following is an excerpt of an in-depth report that details the existing media ownership rules and the likely outcomes from the review. The report also includes a matrix showing cross ownership possibilities, a listing of the newspapers and TV stations in the top 50 markets, and a listing of the station holdings of the major TV station groups.

Barring any last-minute changes due to lobbying from local interest groups and selected lawmakers, the Federal Communications Commission (FCC) is going to release its new rules for media ownership on June 2nd.

Overview of the Existing Rules and Likely Changes

■ Television Station Ownership Limit

Current FCC regulations limit the number of households that a broadcaster can reach to 35%. Based on recent reports, the FCC is likely to raise the cap to 45%. There is likely to be no change to the current FCC rule of counting only 50% of a UHF station's market audience towards the national cap calculation vs. 100% for VHF. While the FCC appears to be leaning toward deregulation here, members of Congress have quickly reacted by introducing a bill that would retain the 35% cap and permanently remove this issue from the Biennial review if passed into law.

■ TV Duopoly Rule

Currently, a station operator is allowed to own two TV stations in the same market provided: 1) both stations were not ranked in the top four (most often the ABC, CBS, NBC and FOX affiliates), and 2) eight independently owned, full-power, operational television stations remain in the market post-consolidation. Recent reports suggest that in large markets, TV station operators will likely be allowed to own three stations (v. the 2 station limit currently), while the limits for mid and small sized markets will likely go unchanged at two stations and one station, respectively.

■ Radio Station Ownership Limit

Currently, corporations are allowed to own an unlimited number of radio stations nationally and up to eight signals in a local market. The total number of stations licensed in a market defines the precise number of stations that a company can own in that market. While the initial proposal was to change the market definition to mirror the Arbitron markets and reduce ownership concentration in smaller markets, several other rules are on the table as well, and the final outcome is still unclear, but no major rollback in deregulation is expected.

■ Cross-Ownership Rules

Radio/TV

The FCC limits the cross-ownership of radio and television in a large market (20-plus independent voices) to seven radio stations and one television station or six radio stations if the operator has a television duopoly in the market. Recent reports suggest that this regulation could also be loosened, with new limits shaped by regulatory changes associated with the individual ownership caps for TV and radio alone.

Newspaper/TV or Radio

Currently, the FCC prohibits the ownership of a television or radio station and newspaper in the same market. Latest reports indicate that the FCC is likely to allow cross-ownership in large to mid sized markets (about 80% of markets).

■ Dual Network Rule

Current rules bar any company from owning more than one of the major broadcast networks, but allow the four major networks to own, operate, maintain or control the "weblets" (e.g. the WB or UPN). We do not expect this rule to be changed. Even if it does, we view it as relatively meaningless unless the television station rules are changed along with it. We find it unlikely that a company would want to own two networks unless it can own affiliated stations along with it.

Impact on the Stocks

■ Newspapers

We expect newspaper stocks to be perceived as a major beneficiary of an expected relaxation of cross ownership rules. Particularly, we think mid-sized and small newspaper companies would be perceived as takeout candidates, e.g. Lee Enterprises, McClatchy, and Pulitzer. Knight-Ridder, given its ownership of multiple metropolitan papers, is also likely to be perceived as a acquisition target among investors. On the opposite side of the spectrum, Gannett and Tribune are viewed as likely buyers of properties. Tribune, in particular, could come under pressure due to a perception (unjust in our view) that they have overpaid for acquisitions in the past, offset by the strong momentum of their WB stations.

However, we think the reality is that there are a limited number of logical buyers outside the newspaper industry. In fact, we think swaps/trades will be more likely to take place, but they are unlikely to be catalysts for significant share appreciation as we think they will not lead to multiple re-valuations. Some newspapers may decide to make the defensive move of buying TV stations in their markets in order to buttress the secular decline of newspapers long term. Bottom line, newspaper stocks may receive a short-term lift from the rule change, but sustained stock price performance is still likely to take its cue from the fundamentals.

■ Networks

A higher national cap, if adopted, would officially give regulatory relief to Fox and Viacom as both currently own

(Continued)

stations reaching more than 35% of the nation in the aggregate. In addition, a higher national cap would also give more latitude to the networks in broadening their footprint and capturing the economics of the television business, thereby strengthening their hands in dealing with their affiliates. Otherwise, we do not expect the networks/vertically integrated entertainment conglomerates to immediately make transforming acquisitions. Instead, we believe that companies such as Viacom, News Corp/Fox and Disney would look to make targeted acquisitions, most likely radio or TV stations in larger markets rather than wholesale, transforming acquisitions. Overall, we expect the rule change to be slightly positive for the entertainment stocks. We note that only Disney is still well-below FCC limits in terms of station ownership (at 24% of the U.S.) and would not require a relaxation in the rules to acquire additional properties.

■ **Broadcast**

On the one hand, a higher national cap, if adopted, would tip the scale in favor of broadcast networks in their negotiating power. On the other hand, a relaxed duopoly rule and a higher national cap should also increase the value of stations that qualify to be part of a duopoly, particularly those that are affiliated with a network but not barred from duopoly ownership by ranking in the top-four stations in the market. This seems to favor the broadcast operators that are perceived to be potential sellers, helping to support multiples that have expanded in anticipation of deregulation.

Separately, if ownership of three stations in major markets is allowed, it could pave the way for one of the major media companies to acquire Spanish operator Univision.

■ **Radio**

As the regulatory landscape is unlikely to change materially for radio, we do not expect radio stocks to be impacted much from the ownership review.

Company Specific Thoughts

■ **Newspapers**

Dow Jones: We do not think Dow Jones will change its strategy as a result of cross ownership. While the COO has a background in M&A, the company already has broadcast alliances and is unlikely to try to purchase stations outright. The company seems to be more interested in adding more community papers as a way to counterbalance the cyclical *Wall Street Journal*, as evidenced by its recent announcement to purchase *The Record* in Stockton, CA. Given its brand name and upscale readers, especially in the New York region, we think Dow Jones would be an attractive acquisition for many companies, but they would have to navigate the controlling family stakes. We have observed recent stock sales by selected family members over the last year and a half, which would suggest that they are not on the verge of selling the company. However, given some of the friction in the past, we would not rule out that this family could decide to sell at some point.

Gannett: We think Gannett will continue to be opportunistic, with privately-held Freedom Communications seemingly the large prize that it is currently after. Management has indicated that cross ownership restrictions have thwarted deals they would have liked to have done in the past, not because they achieved cross ownership, but because they were good deals. We think this will continue to be their attitude, i.e. they will just do good deals. GCI is primarily in smaller newspaper markets and medium-sized TV station markets. We do not think there is a buyer for the whole company, but believe GCI would have the appetite and the balance sheet to pursue many other newspaper companies. While a cultural mismatch, we think GCI would benefit from owning KRI as it gets the company into bigger markets. GCI's TV stations have a nice overlap with MNI newspaper properties. GCI and Pulitzer would seem a good fit stemming both from GCI's ownership of a St. Louis TV station where PTZ owns the paper, and their joint operating agreement in Tucson, AZ, a state in which GCI has numerous other assets. GCI has indicated that prices are too expensive currently. With the recent regulatory change in the UK, we also would not be surprised to see them further their foothold there.

Journal Register: As one of the original companies to pursue clustering, JRC is likely to be opportunistic. Over the last two years, JRC has sold more than it has purchased. Its acquisitions tend to be a bit below the radar screen and good add-on properties to their existing clusters in Connecticut, Philadelphia, Central New England and the Capital-Saratoga/Mid-Hudson regions of New York. We expect them to stay in the newspaper business unless a one-off station were to become available in any of its clusters. We do not think there is a natural buyer for the company.

Knight-Ridder: KRI is as likely to be a buyer as it is a seller. KRI has stayed on the acquisition sidelines due to an unwillingness to incur EPS dilution as far as we can tell. We largely think the company will stay in the newspaper business, but would note for investors who have not followed the company for a long time that KRI used to be in the broadcast business. KRI would fit well with McClatchy or A.H. Belo in a merger of equals. We do not know what the cultural fit would be and certainly could not predict the management issues. The fact that KRI trades at a discount to the newspaper group average makes it hard for an acquisition of broadcast assets to be attractive from a KRI's shareholder's standpoint.

From the other side, KRI could be a good fit for many potential newspapers and TV station operators given KRI's multiple papers in major metropolitan areas (e.g. Philadelphia, San Jose, Miami, Detroit, etc.) KRI shares are inexpensive and there is a widely-held thought that the financial performance of the properties can be improved, a perception furthered by the current management's proclamation of margin improvement over time. We think that GCI and TRB would be interested in owning KRI given where their respective TV stations are and TRB's interest in focusing on larger metropolitan markets.

Lee Enterprises: Last year, Lee acquired the assets of a family owned company, Howard Publications, a group of smaller newspapers, some of which were in areas where Lee had a nearby presence. We think Lee will continue to opportunistically purchase newspapers. Given that the company spun off its broadcast assets in 2000, we do not expect to see them attempt to purchase other mediums. While Lee might be an attractive acquisition target, the family control and relatively high margins would likely prove a deterrent.

McClatchy: MNI has been very selective in making acquisitions over the last decade; the company has focused on high growth markets and as such is an attractive acquisition target. Management seems to be lukewarm towards the possibility of owning broadcast assets, indicating that it can afford to wait as it owns the dominant paper in many of its markets. There is speculation that McClatchy would also be interested in buying the newspaper assets of Freedom Communications, although management dampened the speculation somewhat by stating on its Q1 conference call that it does not need to do an acquisition. The company has concentrated on paying down debt in recent years, leaving it with more dry powder for acquisitions. We think that several companies would be interested in owning MNI from Knight-Ridder to Gannett to Tribune. It also appears to be a good fit for many TV station operators.

New York Times: While over 90% of NYT's cash flow is from its newspaper franchise, NYT is in the broadcast business and is serious about it. NYT was on the cutting edge in creating its digital operating center allowing them to operate a large portion of their stations from one centralized location. They have room for more. NYT has not been aggressive in buying stations and has largely stayed in smaller markets. In 2000, the company divested a number of its smaller newspaper properties indicating that the returns were greater in the larger markets within which it currently operates. NYT's balance sheet would certainly permit sizable acquisitions. We think NYT and BLC would be a good fit at least on the newspaper side as the *Providence Journal* fits well with NYT's New England group. NYT has broadcast/newspaper alliances in several markets that could be precursors to swaps. We could also see NYT attempting to gain more of a West Coast presence. We do not doubt for one moment that there are companies interested in owning the New York Times Company, but we do not get the sense that this is even up for discussion by the company.

Pulitzer: We believe PTZ could be perceived as a potential take-out candidate given its size and ownership of the St. Louis newspaper, which is in a top 25 market. It is often speculated that GCI would be a likely buyer given its ownership of the St. Louis NBC TV station and the fact the two companies participate in a JOA in Tucson. Belo might be interested as well as it owns the CBS station in St. Louis and some stations in Tucson. At this juncture, we do not believe that PTZ is a seller. PTZ sold its TV operations a few years ago, so it is unlikely that the company will go back into the TV business.

E.W. Scripps: We do not get the sense that SSP is looking to buy anything except more cable networks and then, only if they fit the targeted niches SSP is interested in. We do get the sense, however, that several companies would be interested in owning SSP such as Disney (due to SSP's 6 ABC affiliates (9 stations in all) and attractive cable networks), Hearst (that ABC thing again and the networks), and likely others we have not envisioned. While the company seemed to view its station holdings as potential currency, it seems to have recently backed away from that view somewhat. Instead, management has signaled that it is very interested in duopolies at the right price, both because of the proven economies, but also as a way to diversify away from the ABC Network. We could see SSP potentially engaging in swaps; for example, they could trade their Baltimore TV station for the stake in TVFN that Tribune, owner of the *Baltimore Sun*, currently retains. SSP has numerous broadcast/newspaper alliances in its newspaper and TV station markets. The family trusts would seem to suggest that a sale could not be effectuated for some time, but we believe that where there is a will, there is a way. Egos would not get in the way but a desire for ultimate value would.

Tribune: Tribune is likely to continue being acquisitive as it pursues more of a national rollup strategy in both newspapers and broadcasting. While the company has been honest that it has not drummed up a lot of incremental revenues by virtue of cross ownership in various markets, it has benefited from new national revenue due to its striking presence in the top markets in the country. Having said that, TRB signed a multi-platform deal with Harris in Chicago last year and recently signed a deal with Target. We think Tribune is as likely to buy newspapers as it is TV stations although management has indicated that they are only interested in TV, duopolies in particular. We think KRI and MNI make sense for TRB but believe they will be opportunistic over time. There was speculation that AOL/Time Warner could be interested in TRB due to its roster of WB affiliates and 25% stake in WB but we do not think anything would happen near term given the current balance sheet constraints of AOL Time Warner.

From a perception point of view, many investors believe Tribune management could overpay for acquisitions in a deregulated environment, thus potentially exerting pressure on the stock. While we believe this perception is generally inaccurate, perception could matter more than reality. Offsetting this pressure is the strong momentum enjoyed by TRB's WB stations.

Washington Post: We do not expect WPO to make any large scale acquisitions. The company's growth focus is on its cable and education businesses. We think they will continue to be opportunistic as they have been by buying smaller papers surrounding the Post. On the broadcasting side, we do not get the sense that they are under any pressure to make acquisitions. We have often sensed that WPO is not interested in selling assets either. The company is closely held by the family and we think it is the least likely to be sold.

- **Networks**

AOL Time Warner. AOL Time Warner has close to $30 billion in debt (3x debt:EBITDA) and has publicly pledged to reduce that total to $20 billion by YE04. The company has made steps to reduce their debt by selling its stake in GMH and Comedy Central, raising over $2 billion. Further, the company plans an IPO of Time Warner Cable for the second half of CY03. While the repeal of the cable/broadcast cross ownership rule does allow AOL Time Warner to pursue TV station acquisitions (Tribune being the most logical) we do not believe that it would pursue such a transaction given the company's current capital structure. In fact, it is a possibility that the company could divest itself of its 77.5% stake in the WB network. However, we believe that once Time Warner Cable is a public company, AOL Time Warner will participate in cable industry consolidation (Cablevision, Charter, Adelphia among the most logical acquisition targets.)

Walt Disney. Disney has roughly $13 billion of debt (over 3x debt:EBITDA), $7 billion of which comes due over the next 4 years. With the exception of ABC Family, Disney has not historically paid up for acquisitions, nor has the company been aggressive in participating in radio or TV consolidation. In fact, Disney management often comments that they do not see the benefits of increased TV station ownership. However, we do believe that Disney would benefit from greater ownership of their owned and operated TV station footprint, whether through an acquisition of E.W. Scripps or Heart-Argyle (for example) or other smaller ABC affiliate groups, such as privately-held Albriton. Given the small size, but relative strength of their radio network and station group, we believe Disney could be an active player in any further radio industry consolidation. However, and most importantly, we believe it vital that Disney secure distribution for its content assets. We note that Disney's radio stations are in large (and desirable) markets, however, the size of their station group is dwarfed by several of its competitors. Thus, we view Disney as having two potential options: 1) either selling out completely or 2) merging with another operator. We believe the former could carry significant tax consequences. The second option could be a way for Disney to retain an interest in radio as well as create a currency to further consolidate.

There is a battle being waged in the industry between the content and distribution companies, specifically, both cable and satellite operators are unwilling to continue to swallow 20% affiliate fee increases from ESPN on a yearly basis. While ESPN may have enough leverage to withstand this battle, Disney's other cable networks, ABC Family, SoapNet, ESPN2, ESPNEWS, ESPN Classic, may face increased pressure from the cable operators. To that end, Disney would be wise to either acquire distribution assets (Echostar?) or increase its content portfolio.

News Corp/Fox. News Corp and Fox have historically been aggressive consolidators of media properties, most recently with the proposed acquisition of 34% of GMH. Following this transaction, we believe News Corp/Fox will take a step back from large-scale acquisitions and perhaps focus on single TV stations, similar to the acquisition of the UPN affiliate in Chicago last year. News Corp currently has a BBB- credit rating and the company has been adamant about maintaining its investment grade status. Further, the structure of the GMH transaction precludes the company from any large-scale acquisitions at the Fox level, in the near-term as Fox can not issue further equity (as News Corp can not be diluted below 80% ownership for tax consolidation purposes). We do however view News/Fox as having an appetite for one-off station acquisitions in top-25 markets to further expand its duopoly presence. We believe radio is not currently a strategic focus for the company, but longer term we believe a strategic case can be made for acquiring radio stations in markets where it has a television station presence. Unrelated to broadcasting (and perhaps the scope of a report on deregulation), we believe News Corp/Fox may have an interest in further expanding their studio presence (film and television) and may express interest in Vivendi's Universal assets.

Viacom. Viacom is in the best position relative to its peers, with debt:EBITDA of 1.6x, following the $1.2 billion acquisition of Comedy Central from AOL Time Warner. Historically, Viacom has measured any acquisition relative to the purchase of its own shares and we believe the company will continue to spend wisely on any potential acquisitions. Viacom is clearly not interested in owning newspaper publishers. Instead, like News Corp/Fox, we believe Viacom is interested in expanding its duopoly presence in top-25 markets (e.g. Washington D.C., Phoenix, Dallas).

In addition, where allowed, we believe Viacom would be active in further radio consolidation as well as increased ownership in cable networks. Viacom's unparalleled cable network portfolio gives the company significant leverage vs. cable and satellite operators and we do not believe Viacom would seek to acquire any distribution assets, such as cable or satellite particularly given its aggregate 26% audience market share among its cable and broadcast properties. Should the rules be relaxed whereby Viacom could own more voices in a market, we believe the company could look to expand to Spanish language media with an acquisition of Univision.

Broadcast

LIN Television currently lays claim to 5 legal duopolies and has entered into LMA agreements (local marketing agreement, or local management agreement, an arrangement under which a station owner in one market may manage certain aspects of the business of another station in the same market which is owned by another party) in 2 markets, which it would likely convert to legal duopolies upon looser regulations in this area. Similarly, **Sinclair Broadcast Group** is already an owner of duopoly stations and has several LMAs that we would expect to be folded into the company's portfolio if regulations permit.

One company to watch out for is **Meredith**, which is both a publisher of primarily women's magazines and a mid-sized TV station operator. Company management has stated that it intends to evaluate its strategic opportunities after the FCC media ownership reviews and be opportunistic with respect to its TV stations. We think that in an environment where the larger players will gain increasing clout, it is likely that MDP would decide that it does not have sufficient size to compete effectively in the broadcasting sector.

Another company that could make a move in a deregulated environment is **Hearst-Argyle**, 80% owned by the Hearst Corporation, which also owns a collection of newspapers and national magazines. The relaxation of cross ownership rules could allow HTV to buy TV stations in markets where Hearst already owns a newspaper as well as to acquire duopolies in its existing TV markets.

McGraw-Hill, owner of four ABC affiliates in San Diego, Denver, Indianapolis and Bakersfield, might also be waiting to assess its options post changes by the FCC. Over the last 8 or 9 years, there has been speculation that MHP might be interested in selling its stations as they don't necessarily fit with the overall strategic direction of the organization. MHP has a low basis in the stations so the multiple would have to be fairly high or involve a swap, perhaps of financial magazine assets.

Recently, other station groups have formed duopolies in key markets, validating the attraction of this operating structure. **Viacom** purchased KCAL-TV in Los Angeles during February 2002 at a 32 times BCF multiple, which the company expects to reduce to a 15 times multiple through the efficiencies of duopoly. In April, **Tribune** purchased WTTV-TV (as well as a satellite signal WTTK-TV) from Sinclair for $125 million or 21 times 2002 BCF ($6 million). Assuming that it can ratchet the cash flow up to $11 million from synergies, the multiple will drop to 11.4 times. Similarly, **Fox** purchased WPWR-TV in Chicago for 21 times cash flow (15 times including synergies) during June 2002.

Radio

Clear Channel. As the largest radio station operator, with more than 1,200 stations in nearly 200 markets, we expect the company to be the most impacted by any changes in radio industry regulations.

In regards to redefining the local markets, if the FCC chooses to narrow the market definition, resulting in fewer signals per market and therefore a lower local ownership cap, we expect Clear Channel's existing portfolio to be grandfathered, causing minimal changes.

As for TV/radio cross-ownership, the company has largely filled out its U.S. radio station portfolio, and increasingly focuses on its international outdoor expansion. Since the company is not an active acquirer of domestic radio and TV assets and we expect its current portfolio to be grandfathered, we do not foresee an impact from regulatory changes here either.

Although we do not expect new domestic acquisition opportunities to be created for Clear Channel when the new regulations are set, the company has significant acquisition capacity over the next several years. Clear Channel reported net debt of $8.3 billion as of 3/31/03. Pro forma leverage ratio (net debt/PF LTM EBITDA) stood at 3.8 times, within the company's comfort range of 3.5 times to 4.0 times. Assuming 10% EBITDA growth in the next five years, management indicated that it has capacity to complete more than $18 billion worth of acquisitions or investments before exceeding the 4.0x leverage ratio threshold set by the ratings agencies.

Analyst Certification

We, Lauren Rich Fine, Jessica Reif Cohen and Marc E. Nabi, hereby certify that the views each of us has expressed in this research report accurately reflect each of our respective personal views about the subject securities and issuers. We also certify that no part of our respective compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Table 1: Newspaper and Publishing Valuation

		05/16/03	Equity	Market	Avg. Daily	Div	2002A		2003E		2004E		2002A	2003E	2004E	ADJ. MKT CAP/EBITDA		
	QRQ	PRICE	Cap	Cap	Vol ('000)	Yield	EPS	%CHG	EPS	%CHG	EPS	%CHG	P/E	P/E	P/E	2002	2003E	2004E
NEWSPAPER GROUP																		
DOW JONES (DJ)	B-2-7	$43.57	$3,574	$3,630	471.2	2.3%	$0.74	(40.3)	$0.86	16.2	$1.10	27.9	58.9	50.7	39.6	16.3	14.7	12.8
GANNETT (GCI)	A-2-7	$76.80	$20,744	$24,704	1,158.8	1.3%	$4.31	9.9	$4.51	4.6	$4.86	7.8	17.8	17.0	15.8	11.6	11.0	9.8
JOURNAL REGISTER (JRC)	C-2-9	$18.20	$764	$1,198	121.9	0.0%	$1.14	13.7	$1.20	5.3	$1.23	2.5	16.0	15.2	14.8	10.9	10.8	10.0
KNIGHT-RIDDER (KRI)	A-2-7	$69.75	$5,480	$6,883	407.0	1.5%	$3.45	0.6	$3.68	6.4	$3.98	8.2	19.3	18.1	16.8	9.1	9.1	8.5
LEE ENTERPRISES (LEE)	A-2-7	$37.30	$1,645	$1,916	123.5	1.8%	$1.71	12.2	$1.83	7.0	$1.99	8.9	21.9	20.5	18.8	11.4	9.9	9.0
McCLATCHY (MNI)	A-2-7	$60.19	$2,787	$3,137	51.0	0.7%	$2.88	31.2	$3.04	6.3	$3.18	4.6	21.0	19.8	18.9	10.1	9.7	9.1
NEW YORK TIMES (NYT)	A-2-7	$47.15	$7,289	$8,226	646.7	1.2%	$1.97	8.2	$2.08	5.5	$2.37	13.9	23.9	22.7	19.9	11.4	11.0	9.8
PULITZER (PTZ)	B-2-7	$47.76	$1,023	$1,100	36.1	1.5%	$1.85	28.5	$1.98	7.0	$2.15	8.5	25.8	24.1	22.2	11.1	10.4	9.7
SCRIPPS, E.W. (SSP)	A-1-7	$86.00	$6,966	$7,611	158.3	0.7%	$2.87	32.9	$2.92	1.7	$3.30	13.0	30.0	29.5	26.1	12.8	11.3	9.6
TRIBUNE CO. (TRB)	B-2-7	$49.92	$15,759	$19,065	929.7	1.0%	$1.87	41.7	$2.09	11.8	$2.28	9.1	26.7	23.9	21.9	12.3	11.4	9.8
WASHINGTON POST (WPO)	A-1-7	$735.50	$7,024	$7,523	12.3	0.8%	$22.28	57.5	$26.25	17.8	$30.65	15.8	33.0	28.0	24.0	10.4	9.8	8.4
NEWSPAPER GROUP AVG.						1.2%		18.6		8.2		11.8	26.3	24.6	21.7	11.6	10.8	9.7
OTHER PUB & INFO GROUP																		
INFORMATION HOLDINGS (IHI)	C-2-9	$15.15	$333	$181	77.9	0.0%	$0.49	22.5	$0.40	(18.4)	$0.61	NM	30.9	37.9	24.8	7.2	7.2	5.4
MCGRAW-HILL (MHP)	A-1-7	$61.34	$11,776	$11,967	724.1	1.8%	$2.96	12.2	$3.22	9.2	$3.59	11.5	20.8	19.0	17.1	11.3	10.5	9.3
MARTHA STEWART (MSO)	Rvw	$12.13	$598	NA	367.5	NM	Rvw	NM *	Rvw	NM *	Rvw	NM *	NM *	NM *	NM *	NA *	NA *	NA
MEREDITH CORP (MDP)	A-1-7	$44.98	$2,296	$2,567	177.1	0.8%	$1.50	38.4	$1.88	25.6	$2.35	25.2	30.1	24.0	19.1	13.9	12.6	10.6
MOODY'S CORP. (MCO)	B-2-7	$50.87	$7,707	$7,930	655.7	0.4%	$1.83	40.8	$2.10	14.8	$2.37	12.9	27.8	24.2	21.5	14.9	13.3	11.7
PRIMEDIA (PRM)	C-2-9	$3.06	$794	$2,993	406.5	0.0%	($0.45)	(77.6)	($0.29)	(37.8)	($0.14)	(50.8)	NM *	NM *	NM *	12.6	11.5	10.3
READER'S DIGEST (RDA)	C-2-1	$12.87	$1,155	$1,806	332.0	1.6%	$1.20	2.6	$0.95	(20.8)	$1.20	26.1	10.7	13.5	10.7	8.8	8.1	8.5
SCHOLASTIC (SCHL)	C-2-9	$30.70	$1,249	$1,810	387.1	0.0%	$2.31	21.1	$2.16	(6.4)	$2.25	4.1	13.3	14.2	13.6	8.7	8.4	7.5
THOMSON CORP (YTOC)	B-1-7	$27.32	$19,197	$22,409	123.5	2.5%	$1.04	1.0	$1.12	7.7	$1.29	15.2	26.4	25.4	22.9	11.2	10.5	9.5
OTHER PUB & INFO GROUP AVG.						0.8%		7.8		(3.3)		6.4	23.1	22.7	19.5	11.1	10.3	8.8
S&P 500		947				1.7%	45.75	17.8	49.00	7.1	54.00	10.2	20.7	18.3	17.5	---	---	---

Source: Merrill Lynch Equity Research.
Excluded from averages.
LEE: September fiscal year-end. Estimates calendarized.
MDP, RDA: June fiscal year-end. Estimates calendarized.
SCHL: May fiscal year-end. Estimates calendarized.

Merrill Lynch is currently acting as financial advisor and has rendered a fairness opinion to General Motors Corp, in connection with News Corp's acquisition of a 34% stake in General Motors Corp's Hughes Electronics Unit, which was announced on April 9, 2003. General Motors has agreed to pay a fee to Merrill Lynch for its financial advisory services, a significant portion of which is contingent upon the consummation of the proposed transaction.

The proposed transaction is subject to approval by the shareholders of General Motors Corp and General Motors Corp's Hughes Electronics.

This research report is not intended to (1) provide voting advice, (2) serve as an endorsement of the proposed transaction, or (3) result in the procurement, withholding, or revocation of a proxy.

Investment Rating Distribution: Media & Entertainment Group (as of 31 March 2003)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	57	40.14%	Buy	20	35.09%
Neutral	73	51.41%	Neutral	18	24.66%
Sell	12	8.45%	Sell	2	16.67%

Investment Rating Distribution: Global Group (as of 31 March 2003)

Coverage Universe	Count	Percent	Inv. Banking Relationships*	Count	Percent
Buy	1027	42.02%	Buy	358	34.86%
Neutral	1229	50.29%	Neutral	304	24.74%
Sell	188	7.69%	Sell	39	20.74%

* Companies in respect of which MLPF&S or an affiliate has received compensation for investment banking services within the past 12 months.

Price charts for the equity securities referenced in this research report are available at http://www.ml.com/research/pricecharts.asp, or call 1-888-ML-CHART to have them mailed.

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